ERNST & YOUNG AUDIT

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AFRICA RICE CENTER
(WARDA)

REPORT OF THE EXTERNAL AUDITORS TO THE MEMBERS OF AFRICA RICE CENTER

(Free translation from the original French version)

YEAR ENDED DECEMBER 31st, 2005

ERNST & YOUNG

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AFRICA RICE CENTER
(WARDA)

REPORT OF THE EXTERNAL AUDITORS TO THE MEMBERS OF AFRICA RICE CENTER

(Free translation from the original French version)

YEAR ENDED DECEMBER 31^{st}, 2005

We have audited the accompanying financial statements of Africa Rice Center (WARDA) as of December 31^{st}, 2005. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis of our opinion.

In our opinion, the aforementioned financial statement present fairly, in all material respects, the financial position of Africa Rice Center as of December 31^{st}, 2005 and the results of its operations and its cash flow for the year then ended in accordance with International Accounting Standards.

Without qualifying our opinion, we draw attention to the following note 1 to the accounts, related to the political situation in Côte d'Ivoire and its potential consequences on the activities of WARDA.

ERNST & YOUNG

Jean-François Albrecht
Partner

March 20th, 2006

AFRICA RICE CENTER (WARDA)

STATEMENT OF THE BOARD CHAIR

YEAR ENDED DECEMBER 31st, 2005

The Board of Trustees of the Africa Rice Center is pleased to announce the continued improvement in financial health and stability of the Center, and wishes to commend the Management for the sound fiscal management of center resources in line with Board targets.

Total core revenue amounted to US$11.42 million against net expenditure of US$10.64 million, resulting in a surplus ofUS$0.78 million. This has enhanced the net assets, which represent the Center's operating reserves from US$2.90 million at end of 2004 to US$3.68 million at end of 2005.

The Center's liquidity and reserve levels, although still below CGIAR recommended levels, continue to improve.

The 2005 audited financial statements reflect operating results superior to the Board approved target of $0.5 million per annum, a trend which has been maintained since 2003 financial year.

The Board, as part of its risk assessment management role, has approved a risk management statement at the meeting held in March, 2006 and will continue to monitor and manage these risks to the best advantage of the Center activities.

The Board recognizes its responsibility for the financial statements in the interest of stakeholders and donors, and in responsibilities towards the Center's employees, collaborating farmer communities and its operating environment.

On behalf of the Board of Trustees, I would like to thank the management and staff for their dedication and perseverance in facing the challenges of re-settling in Cotonou, Benin during the year under review. We would like also to put on record our appreciation of our donors, collaborating national institutions and the CGIAR partners for their continued support and cooperation towards meeting the laudable mission of the Center, which is aimed at alleviating poverty and enhancing income of resource-poor farmers in sub-Saharan Africa.

Gaston Grenier
Chairman, Board of Trustees

Africa Rice Center
(WARDA)

BOARD STATEMENT ON RISK MANAGEMENT
YEAR ENDED DECEMBER 31st, 2005

The Board of Trustees of WARDA has responsibility for ensuring that an appropriate risk management process is in place to identify and manage major and significant risks to the achievement of the Centre's business objectives, and to ensure alignment with CGIAR principles and guidelines as adopted by all CGIAR Centres. These risks include operational, financial and reputation risks that are inherent in the nature, *modus operandi* and locations of the Centre's activities. They are dynamic owing to the environment in which the Centre operates. There is potential for loss resulting from inadequate or failed internal processes or systems, human factors or external events. Risks include

- low impact science (and therefore irrelevance);
- misallocation of scientific efforts away from agreed priorities;
- loss of reputation for scientific excellence and integrity;
- business disruption and information system failure;
- liquidity problems;
- transaction processing failures;
- loss of assets, including information assets;
- failures to recruit, retain and effectively utilize qualified and experienced staff;
- failures in staff health and safety systems and;
- failures in the execution of legal, fiduciary and Centre responsibilities.

The Board has adopted a risk management policy – communicated to all staff – that includes a framework by which the Centre's management identifies, evaluates and prioritises risks and opportunities across the organization; develops risk mitigation strategies which balance benefits with costs; monitors the implementation of these strategies; and periodically reports to the Board on results. This process will draw upon risk assessments and analysis prepared by staff of the Centre's business unit, internal auditors, Centre-commissioned external reviewers and the external auditors. The risk assessments will also incorporate the results of collaborative risk assessments with other CGIAR Centres, System Office components, and other entities in relation to shared risks arising from jointly managed activities. The risk management framework seeks to draw upon best practices, as promoted in codes and standards promulgated in a number of CGIAR member countries. It is subject to ongoing review as part of the Centre's continuous improvement efforts.

Risk mitigation strategies include the implementation of systems of internal controls, which, by their nature, are designed to manage rather than eliminate risk. The Centre endeavours to manage risk by ensuring that the appropriate infrastructure, controls, systems and people are in place throughout the organization. Key practices employed in managing risks and opportunities include business environmental scans, clear policies and accountabilities, transaction approval frameworks, financial and management reporting, and the monitoring of metrics designed to highlight positive or negative performance of individuals and business processes across a broad range of key performance areas. The design and effectiveness of the risk management system and internal controls is subject to coordination through a Risk Management committee and ongoing review by the Centre's internal audit service, which is independent of the business units, and which reports on the results of its audits directly to the Director General and to the Board through its Audit Committee.

The WARDA Board and management have reviewed the implementation of the risk management process during 2005 and the Board is satisfied with the progress made.

Gaston Grenier
Chairman, Board of Trustees

AFRICA RICE CENTER
(WARDA)

CERTIFICATE BY CENTER MANAGEMENT

YEAR ENDED DECEMBER 31ST, 2005

We have prepared the accompanying financial statements of Africa Rice Center (WARDA) as of December 31st, 2005. These financial statements are the responsibility of The Africa Rice Center Management, and Board of Trustees, and have been duly presented to the Center's External Auditors, Ernst and Young for review.

The Centers Management and Board of Trustees have worked closely with Internal and External Auditors to ensure that the financial statements are presented in compliance with the CGIAR manual, Financial Guideline Number 2.
In accordance with the requirement of Financial Guideline Number 2, the undersigned certify that:

(i) the financial records of Africa Rice Center have been properly maintained;

(ii) the financial statements, together with the explanatory notes thereto, comply in full with the provisions of the manual; and that

(iii) the financial statements and the notes thereto give a true and fair view of the financial position, financial performance and cash flows of Africa Rice Center.

Kanayo Felix Nwanze
Director General

Long Tien Nguyen
Assistant Director General- Corporate Services

AFRICA RICE CENTER
(WARDA)
STATEMENT OF FINANCIAL POSITION
For the Years ended 31 December 2005 and 2004
(Expressed in US Dollars)

	Note	2005	2004
ASSETS			
Current Assets			
Cash and Cash Equivalent	3	3,850,254	4,369,928
Accounts Receivable:			
Donors	4	3,368,566	2,738,337
Employees	5	202,190	259,830
Others	6	315,934	148,376
Inventories	15	421,407	353,853
Prepaid Expenses	7	362,751	110,630
Total Current Assets		8,521,102	7,980,955
Property and Equipment			
Property and Equipment	8	8,583,442	8,809,715
Less: Accumulated Depreciation	8	(7,257,385)	(7,426,536)
Total Property and Equipment-Net		**1,326,057**	**1,383,180**
TOTAL ASSETS		**9,847,159**	**9,364,135**
LIABILITIES AND NET ASSETS			
Current Liabilities			
Bank Balances(Overdraft)	9	16,326	
Accounts Payable:			
Donors	10	3,426,654	3,617,437
Employees	11(a)	173,623	274,613
Others	12	1,066,376	1,131,915
Funds in Trust-Employees	11(b)	214,000	308,000
Provisions and Accruals	13	1,267,637	1,128,704
Total Current Liabilities		**6,164,616**	**6,460,670**
TOTAL LIABILITIES		**6,164,616**	**6,460,670**
Net Assets			
Unrestricted Net Assets	14	3,682,543	2,903,465
TOTAL NET ASSETS		**3,682,543**	**2,903,465**
TOTAL LIABILITIES & NET ASSETS		**9,847,159**	**9,364,135**

The financial statements were approved by the Board of Trustees on 24/03/2006 and were signed on their behalf by:

Dr. Kanayo Felix Nwanze, Director General

Mr. Long Tien Nguyen, Assistant Director General for Corporate Services

The accompanying notes to the financial statements(1-19) form part of this statement

AFRICA RICE CENTER
(WARDA)
STATEMENT OF ACTIVITIES
For the Years ended 31 December 2005 and 2004
(Expressed in US Dollars)

	Note	Unrestricted	Restricted	Total 2005	Total 2004
REVENUES,GAINS,AND OTHER SUPPORT					
Grants	16	5 831 025	5 191 938	11 022 963	10 025 423
Member States-Operating Income	17(a)	54 849		54 849	313 378
Member States-Capital Dev. Income	17(b)				
Special Transition Grant-Income	See Note 16	183 400		183 400	430 000
Other Income	18	160 048		160 048	70 385
Total Revenue,Gains and Other Support		**6 229 323**	**5 191 938**	**11 421 260**	**10 839 186**
EXPENSES AND LOSSES					
Program Related Expenses	19	2 231 566	4 916 784	7 148 349	6 619 691
Management and General Expenses		3 126 660	275 154	3 401 814	3 264 187
Special Transition Program Expenses		681 721		681 721	592 906
Total Expenses and Losses		**6 039 947**	**5 191 938**	**11 231 884**	**10 476 784**
Indirect Cost Recovery		(589 702)		(589 702)	(461 590)
Total expenses and losses		**5 450 245**	**5 191 938**	**10 642 182**	**10 015 195**
Change in Net Assets		**779 078**	**-**	**779 078**	**823 992**
Allocated to Capital Fund in Prior Year					
Net Assets at Beginning of Year		**2 903 465**	.	**2 903 465**	**2 478 682**
Change in Net Assets before Prior Year Adjustments		779 078	-	779 078	823 992
Extraordinary Item:-					
General Support Staff -Termination Dues		-		-	(160 930)
Depreciation Adjustment-Prior Years		-		-	(238 279)
Change in Net Assets		**779 078**		**779 078**	**424 783**
Net Assets at End of Year		**3 682 543**		**3 682 543**	**2 903 465**

MEMO ITEM

Total Expenses-by Natural Classification

	Management & General	Program Related	Total 2005	Total 2004
Personnel Costs	1 540 470	3 314 696	4 855 166	5 066 569
Supplies & Services	1 667 588	2 538 333	4 205 922	3 705 199
Supplies & Services-Collaborators and Partnerships Costs		624 977	624 977	405 751
Operational Travel	283 207	490 705	773 912	690 335
Depreciation	592 270	179 638	771 908	608 931
Gross Operating Expenses	**4 083 535**	**7 148 349**	**11 231 884**	**10 476 784**

The accompanying notes to the financial statements(1-19) form part of this statement

AFRICA RICE CENTER

(WARDA)

STATEMENT OF CASHFLOWS

For the Years ended 31 December 2005 and 2004

(Expressed in US Dollars)

	Total 2005	Total 2004
CASH FLOWS PROVIDED (USED) IN OPERATING ACTIVITIES		
Change in Net Assets	779 078	823 992
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities :		
Prior Period Adjustments	-	(238 279)
Extraordinary Items	-	(160 930)
Depreciation	771 908	608 931
(Gain)/loss on Disposal of Fixed Assets	(16 230)	(13 538)
Decrease(Increase) in Assets		
Accounts Receivable: Donors	(630 228)	(1 167 931)
Employees	57 640	(16 705)
Others	(167 558)	420 380
Inventories	(67 554)	7 666
Prepaid Expenses	(252 121)	41 504
Increase(Decrease) in Liabilities		
Accounts Payable: Donors	(190 783)	431 225
Employees	(100 990)	98 495
Others	(65 539)	(209 233)
Funds in Trust-Employees	(94 000)	12 000
Provisions and Accruals	138 932	(184 202)
Net Cash Provided (Used) in Operating Activities	**162 555**	**453 374**
CASHFLOWS PROVIDED (USED) IN INVESTING ACTIVITIES		
Acquisition of Property and Equipment	(698 556)	(352 921)
Proceeds From Disposal of Property and Equipment	-	30 410
Adjustment to Opening Net Book Value of Property and Equipment	-	238 279
Net Cash Provided (Used) in Investing Activities	**(698 556)**	**(84 232)**
CASHFLOWS PROVIDED (USED) IN FINANCING ACTIVITIES		
Bank Overdraft	16 326	(61 515)
Net Cash Provided (Used) in Financing Activities	**16 326**	**(61 515)**
Net Increase(Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents at Beginning of Year	4 369 928	4 062 301
Increase(Decrease) in Cash and Cash Equivalents	(519 674)	307 626
Cash and Cash Equivalents at End of Year	**3 850 254**	**4 369 928**

The accompanying notes to the financial statements(1-19) form part of this statement

AFRICA RICE CENTER
(WARDA)

NOTES TO THE ACCOUNTS

YEAR ENDED DECEMBER 31ST, 2005

1. ORGANIZATION AND OBJECTIVES

Africa Rice Center (WARDA or the Association) is an inter-governmental regional organization and a member of a network of centers supported by the Consultative Group of International Agricultural Research (CGIAR). It was established in 1970 to conduct research development and training in relation to all phases of rice production, management and distribution in West Africa. The objectives are to increase production levels throughout 16 West African Countries and Cameroon and to improve the varieties of rice suitable to the region. At present, activities are carried out in four countries in different ecologies. Various research activities are carried out in Ibadan, Nigeria using the International Institute of Tropical Agriculture (IITA) campus as a station, the Sahel program is based at St. Louis in Senegal, and in March 2005, the East and Central Africa station started its activities in Dar-es-Salaam, Tanzania. The main research activities were formerly based at Bouaké in Côte d'Ivoire and physical presence at Rokupr ended in April 1993, but WARDA continues to carry out mangrove rice research and network activities with the Sierra Leone National Program.

The Association receives funds and assistance from the CGIAR which comprises international and regional organizations, also from its Member States and International aid Agencies.

Following the failed "coup d'état" which occurred in Côte d'Ivoire that has turned into a rebellion since September, 2002, the insurgents have been occupying half the country including Bouaké where WARDA headquarters is located. As a result, the Association had relocated its Director of Research at the **International Crops Research Institute for the Semi-Arid Tropics** (ICRISAT) research station at Samanko, near Bamako, Mali. Due to the bombing of the rebels areas by the Ivorian army in November 2004, the whole WARDA team has been now relocated to International Institute for Tropical Agriculture (IITA) research station at *Calavi, near Cotonou, Benin since January, 2005.*

The transfer of the headquarters that was precipitated by the sudden crisis in Côte d'Ivoire has led to the move of several fixed assets and other goods belonging to the Association from Bouaké to Bamako and then Cotonou.

During the year 2005, WARDA achieved a physical count of the fixed assets and inventories transferred to Cotonou. However, with the exception of inventories, vehicles and tractors which have been completely reconciled with the accounts, works on the other categories of fixed assets are in progress. By then, works carried out by WARDA cover 63% of the net book value of the fixed assets which corresponds to US$ 832,660 out of a total of US$ 1,326,057.

While waiting for the completion of these reconciliation works, in our opinion there is a risk on the existence, completeness and accuracy of the non-reconciled fixed assets which amount to US$ 493,498 as of December 31st, 2005.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts are prepared under the historical cost convention. The significant accounting policies, which have been applied consistently with the previous year, are set out below.

(i) Revenue Recognition

The Financial statements of the Association are presented using the accrual basis of accounting except for contributions from Member States, for operations which are recognized as revenue in the fiscal year following the one in which they are collected.

All grants whether restricted or unrestricted, are recognized as revenue upon fulfillment of the donor-imposed conditions, or the donor has explicitly waived the conditions.

They are classified according to the type of donor-imposed restriction.

- Unrestricted grants are funds made available to the Association to meet normal operating costs or whatever other purpose the Association may deem fit.

- Restricted grants, which may be pledged for more than one year, are funds that are used to finance and support specific projects identified and agreed upon by their donors and the Association - such projects may include fixed assets acquisitions and replacement funds as well as research and training activities, and are recognized as revenue only to the extent that related expenses have been incurred. They are labeled as permanently or temporarily restricted.

(ii) Foreign Currency Transactions

Since the unit of account for the Association is the US dollar, the Association accounts are maintained in US dollars. Local currency of various Member States, and other countries in which WARDA operates are recorded in the books of WARDA at the rate of exchange prevailing on the dates of the transactions.

Pledges in currencies other than in US dollars are recorded at the exchange rates prevailing at the time of receipt or, if outstanding, at the rate of exchange prevailing at the year-end.

Monetary assets and liabilities in currencies other that the US dollars are restated at market rates of exchange prevailing at the year-end. Differences in exchange are accounted for in the statement of activities.

(iii) Property, Plant, Equipment and Depreciation

The introduction of revised CGIAR accounting Financial Guidelines No.2 effective from year 2004 has resulted in a change in the treatment of Fixed Assets acquired through restricted project funds. The depreciation rates for all such purchases have been revised to 100% during the year of purchase in line with these guidelines.

Likewise, the treatment of Fixed Assets intended to revert to Host Countries in the event that WARDA ceases operations in that country have been revised. The assets constructed or purchased effective January 1st, 2005 will now be capitalized in accordance with the new guidelines.

Prior Year Financial Statements have neither been adjusted nor reclassified for comparability purposes as this is not mandatory according to the policy change explanatory notes.

The annual depreciation rates are as follows:

	Rates
Land, buildings and installations*	1.67%
Heavy duty equipment	10.00%
Agricultural equipment	10.00%
Vehicles and tractors	14.29%
Furniture and office equipment	10.00%
Laboratory and Scientific equipment	10.00%
Computer equipment	20.00%

* With an exception for Land Buildings and Instalations constructed in Benin which have been

depreciated at an accelerated rate of 20% in line with the Board approved decision to remain in the new temporary location for 5 years.

(iv) Accrued Relocation Allowance

A provision is made to meet the terminal relocation allowance in accordance with the contracted amount for each international staff member. This provision takes into account a new Board approved policy that no allowance is payable before one full year of service, and is further prorated for the period between one and two years of service before attaining the full sum contracted.

The previous computation method, over an average of 5 years period has thus been discontinued and the deferred charges account written back to the accrued relocation allowance account in 2004 and 2005 in accordance with this policy change.

(v) Inventories

Inventories of materials and supplies are stated at the lower of acquisition cost or net realizable values. Acquisition cost is determined using the moving average method.
Materials in transit are stated at invoice cost.

2.1 TAX STATUS

In accordance with the agreements between WARDA and the Ivorian and Benin governments signed on September 26, 1989 and December 14, 2004 respectively, the Association, its assets, income and any other property are exempted from any form of direct taxation in Côte d'Ivoire and Benin. The Association may be reimbursed on its request value added tax on construction work for buildings, supplies and services used exclusively for official purposes, except for tax on services in the case of Benin. The Association and its staff are not required to contribute to the social security plan of Côte d'Ivoire although in practice a certain number of staff are affiliated to the Social Security organization in Côte d'Ivoire. Certain WARDA staff, including the Director General, are exempt from all taxes on salaries and benefits for their activities at WARDA.

2.2 GRANTS IN-KIND

The financial statements do not include grants in-kind.

Seconded personnel

The following countries and institutions provided support in the form of seconded scientific personnel to the Association during the year. The costs were borne by the donors based on a fair valuation of the services provided by these personnel as shown below, whilst WARDA provided the necessary operational services and utilities.

	2005 Number of personnel		2005 Estimated costs (US $)	2004 Number of personnel		2004 Estimated costs (US $)
France	1		120,000	1		120,000
AVRDC-Taiwan	1		120,000	1		120,000
Japan	3	(9 months)	270,000	1	(6 months)	60,000
Total	**5**		**510,000**	**3**		**300,000**

3. CASH AND CASH EQUIVALENT

	2005 US $	2004 US $
Bank Balances	3 791 015	4 334 541
Cash on Hand	82 106	73 646
Provision for Doubtful Cash in Old FCFA Bills	(22 867)	(38 259)
	3 850 254	**4 369 928**

4 ACCOUNTS RECEIVABLE-DONORS

	2005 US $	2004 US $
Unrestricted:		
Belgium	229 890	
United States of America	50 000	37 501
France	89 026	-
Canada		408 262
Japan	897 249	
Sweden		273 245
	1 266 165	719 008
World Bank Special Grant		
Japan- Special Relocation Grant	40 000	-
Provision for CFC/FAO SPIRIVWA Project-Participating Country Balances	(34 273)	
Provision for Gatsby Foundation-Improved Rice Dissemination Project	(42 428)	
Restricted: (a)	2 139 102	2 019 329
	3 368 566	**2 738 337**

(a) Details of amounts receivable from restricted donors are given in the Schedule of Restricted Projects on annex 1.

5 ACCOUNT RECEIVABLE-EMPLOYEES

	2005 US $	2004 US $
Due from Staff Members	189 360	249 782
Due from Separated Staff Members	41 320	38 539
	230 680	288 321
Provision for Doubtful Accounts Receivable	(28 490)	(28 490)
	202 190	**259 830**

6 ACCOUNTS RECEIVABLE-OTHERS

	2005 US $	2004 US $
Suppliers		142
Sundry Receivables	317 998	150 298
	317 998	150 440
Provision for Doubtful Accounts Receivable	(2 063)	(2 063)
	315 934	**148 376**

7 PREPAID EXPENSES

	2005 US $	2004 US $
Petrol Coupons	109 099	97 249
Suppliers	325 706	93 140
	434 805	190 389
Provision for Doubtful Debts on Prepaid Expenses	(72 054)	(79 759)
	362 751	**110 630**

AFRICA RICE CENTER
(WARDA)
STATEMENT OF ACTIVITIES
For the Years ended 31 December 2005 and 2004
(Expressed in US Dollars)

8 PROPERTY AND EQUIPMENT

	Balance 1 January 2005	Reclassifications Fixed Asset Category Adjustments	Adjustments Note (b)	Disposals (b)	Additions	Balance 31 December 2005
Cost						
Land,Buildings and Installations Note (a)					195 164	195 164
Heavy Duty Equipment	435 588				19 900	455 487
Agricultural Equipment	1 325 593				1 582	1 327 175
Vehicles and Tractors	2 336 210	13 333		(924 829)	233 124	1 657 839
Furniture and Office Equipment	1 191 051				4 020	1 195 070
Laboratory & Scientific Equipment	1 598 230				62 948	1 661 178
Computers	1 909 711				109 139	2 018 849
Fixed Assets in Transit	13 333	(13 333)			72 679	72 679
	8 809 715			(924 829)	698 556	8 583 442
Accumulated Depreciation						
Land,Buildings and Installations					15 846	15 846
Heavy Duty Equipment	425 578				4 614	430 193
Agricultural Equipment	1 246 463				16 917	1 263 380
Vehicles and Tractors	1 702 036		39 618	(941 058)	379 757	1 180 353
Furniture and Office Equipment	997 099				36 222	1 033 320
Laboratory & Scientific Equipment	1 327 992				129 417	1 457 408
Computers	1 727 368				149 516	1 876 884
	7 426 536		39 618	(941 058)	732 290	7 257 385
Net Book Value	1 383 180		(39 618)	16 230	(33 734)	1 326 057

(a) As a result of adjustments which followed a change of Accounting Policy on Capitalization of Land,Buildings and Installations in year 2000 as described in other notes, Buildings and Installations amounting to $12,029,892 were excluded from the Fixed Assets Register and treated as 'Assets in Custody'
This policy has been discontinued with effect from 1st January,2004 following the implementation of the revised Financial Guideline No. 2
The buildings constructed in Cotonou,Republic of Benin in 2005 have been depreciated over a period of 5 years in line with the Management decision to stay in the host country ,Benin for a period of 5 years by which period it is anticipated that peace will have been re-established in Côte d'Ivoire.

(b) Following the physical inventory of WARDA assets,the Vehicle and Tractors category of assets were depreciated during the year in the amount of $39,618 and vehicles no longer in custody were eliminated from the Fixed Assets Register as of 31 December 2005 and treated as disposals during the year.

9 BANK OVERDRAFT

	2005 US $	2004 US $
Ecobank-Bamako, Mali	2 656	
BICIS-St Louis, Senegal	13 671	
	16 326	**-**

10 ACCOUNT PAYABLE-DONORS

	2005 US $	2004 US $
Restricted Grants received in advance(a)	2 375 631	2 985 588
Member States and Other Contribution Received in Advance	113 597	54 849
World Bank Unrestricted Grant 2006 in Advance	200 000	
Sweden Unrestricted Grant 2006 in Advance	203 926	
USAID-OFDA Refundable Balance	100 000	100 000
Netherlands Unrestricted Grant 2006 in Advance	433 500	477 000
	3 426 654	**3 617 437**

(a) Details of amounts received in advance from restricted donors are given in the Schedule of Restricted Projects on annex 1.

11(a) ACCOUNT PAYABLE-EMPLOYEES

	2005 US $	2004 US $
Staff Provident Funds(Liberia)	25 145	17 116
Staff Provident Funds(Cote D'Ivoire/St Louis/Cotonou)	34 946	58 996
Due to Separated Staff Members	36 441	22 671
Due to Staff Members	77 091	175 830
	173 623	**274 613**

11(b) FUNDS IN TRUST -EMPLOYEES

	2005 US $	2004 US $
Amount Invested in Time Deposit for the Provident Fund		
Balance Brought Forward 1st January 2004	308 000	296 000
Capital Enhancements During the Year 2004	(94 000)	12 000
Balance Carried Forward 31st December 2004	**214 000**	**308 000**

Interest earned during the year has been credited to the control account for the General Support Staff Provident Fund

12 ACCOUNT PAYABLE-OTHERS

	2005 US $	2004 US $
Suppliers	239 500	190 438
Sundry Payables	826 876	441 477
Citibank Short Term Loan	-	500 000
	1 066 376	**1 131 915**

13 PROVISIONS AND ACCRUALS

	2005 US $	2004 US $
Accrued Expenses & Provisions	847 306	899 932
Staff Accrued Leave	354 343	285 022
Accrued Relocation & Repartriation Allowances	268 163	121 767
Reclassified Provisions	(202 175)	(178 016)
	1 267 637	**1 128 704**

14 UNRESTRICTED NET ASSETS

		2005 US $	2004 US $
Unrestricted Net Assets: **Unappropriated:-**			
Net Assets at Beginning of Year		**2 903 465**	**2 478 682**
	Prior Period Adjustment		
		2 903 465	**2 478 682**
	Prior Period Adjustment (a)		
	Depreciation Adjustment-Prior Years		(238 279)
	Extraordinary Item:-		
	General Support Staff-Termination Dues		(160 930)
	Transfer from Operating Result	779 078	823 992
Net Assets at End of Year		**3 682 543**	**2 903 465**

15 INVENTORIES

	2005 US $	2004 US $
Stationery and Office Supplies	83 468	34 404
Vehicle and Equipment Spare Parts	286 012	245 698
Building and Maintenance Supplies	16 990	18 396
Fuel and Lubricants	2 126	1 371
Field and Farm Supplies	726	6 833
Laboratory Supplies	684	60 871
Medical Supplies		173
General Stocks	31 401	15 551
	421 407	**383 297**
Less:-Provision for Laboratory Stock Obsolescence		(29 444)
	421 407	**353 853**

16 GRANTS

	Grant Period	For the year ended 31 December 2005 Funds Received	Accounts Receivable	Total 2005	Total 2004
UNRESTRICTED					
Belgium	Jan'05-Dec'05	-	229 890	229 890	166 065
Canada	Jan'05-Dec'05	692 446	-	692 446	701 067
France	Jan'05-Dec'05	-	89 026	89 026	95 640
Germany	Jan'05-Dec'05	194 285		194 285	185 295
2/ Japan	Jan'05-Dec'05	-	897 249	897 249	1 120 039
Netherlands	Jan'05-Dec'05	918 612		918 612	892 771
Norway	Jan'05-Dec'05	768 255		768 255	588 365
Sweden	Jan'05-Dec'05	454 400	-	454 400	514 018
2/ United Kingdom	Jan'05-Dec'05	639 363		639 363	616 438
USAID	Jan'05-Dec'05	150 000	50 000	200 000	225 000
2/ World Bank	Jan'05-Dec'05	747 500		747 500	700 000
Total Unrestricted Grants		**4 564 860**	**1 266 165**	**5 831 025**	**5 804 697**
TEMPORARILY RESTRICTED					
AfDB I(NERICA Dissemination Project)	Oct'03-Dec'10	269 927		269 927	
CANADA-Fund for Africa (CFA)	Jan'03-Sept'06	602 457		602 457	146 150
COAT-Taiwan/AVRDC Collaborative Project	Oct'03-May'06	47 410		47 410	90 779
COAT-Taiwan/AVRDC COA14 -Collaboration Project	Oct'03-May'06				12 704
CFC/FAO-Spirivwa Project	Jan'00-Dec'03	181		181	1 032
Denmark(Phytosanitary& Seed Health)	Jul'96-Aug'04				0
ENI-CONGO	Sept'03-Jun'04	(2 768)		(2 768)	80 435
European Union/CORAF Project	Jul'01-Jun'05	299 449		299 449	985 463
1/ European Union(Rice Policy & Techn. Impact on Food Se	Jan'03-Dec'05	513 942		513 942	91 819
1/ European Union(Creating Low Management PlantTypes)	Jan'03-Dec'04				536 137
European Union(E.and C. Africa Rice Res.Networks)	Mar'05-Sept'07	110 206		110 206	
Gatsby Foundation(Containment Facility)	Jan'94-Dec'02				461
Gatsby Foundation(Dissemination)	Jan'00-Dec'02	(9 833)		(9 833)	3 572
GTZ(Hohenheim Project)	Mar'00-Dec'05	30 763		30 763	90 112
GTZ(Periurban Project)	Jul'01-June'06	226 166		226 166	90 956
IBRD- Genebank Upgrade Project	Jan'03-Dec'06	117 846		117 846	320 804
IBRD- WCA-Regional MTP Project	Jan'05-Dec'06	83 879		83 879	
IFAD(PADS Project)	Apr'99-Sep'08	262 127		262 127	273 864
IFAD (Congo-NERICA Dissemination Project)	Aug'04-Sept'06	86 873		86 873	10 554
UNDP/TCDC-IHP PHASE 2	Jul'00-Jun'05	181 266		181 266	115 408
Japan(Japanese Expert-Futakuchi Project)	Jan'00-Jun'03				0
Japan-(Interspecific Hyb. Project)	Jul'00-Jun'06	343 468		343 468	517 762
1/ Japan(RYMV Project)	Jan'00-Mar'06	102 626		102 626	258 854
1/ Japan(Increasing Quality Compet.Loc. Project)	Jan'03-Mar'06	140 484		140 484	48 687
1/ Japan(Dev.Interspec. OG&OS Progenies)	Jan'03-Mar'06	193 446		193 446	
1/ Japan (High Yield Varieties-Humid Zones)	Dec'05-Dec'06	5 393		5 393	
Netherlands(APO/JPO Project)	2004-2006	352 238		352 238	143 415
Rockfeller(Capacity Building)	Jan'01-Sep'05	70 863		70 863	2 269
Rockfeller(FPATDD-Mali/Nigeria)	Jan'01-Dec'06	160 865		160 865	13 398
Rockfeller(African Rice Initiative)	Jan'03-Dec'05	123 543		123 543	167 098
Rockfeller(Drought Tollerance Project)	Mar'04-Feb'07	280 395		280 395	48 629
USAID(African Networks Project)	1999-2006	306 884		306 884	153 797
USAID - RYMV Project	2005-2007	146 316		146 316	
USAID - AVRDC Project	2005-2006	40 989		40 989	
UNDP(Guinea IAEC Project)	2004-2006	8 166		8 166	2 637
Miscellaneous Small Projects	Jan'05-Dec'05	96 370		96 370	13 931
Total Restricted Grants		**5 191 938**	**-**	**5 191 938**	**4 220 726**
Total Grants		**9 756 798**	**1 266 165**	**11 022 963**	**10 025 423**

1/ The use of these Grants has been restricted towards selected projects in CGIAR Approved Agenda for WARDA

2/ Excluded from this amount are the World Bank (2004), DFID (2005),and Japan (2005) Special Grant Incomes accrued against extraordinary expenditures and costs related to the relocation to Cotonou,Benin incurred during the years 2004 and 2005 as a result of the crisis being experienced in Cote d'Ivoire.
These amounts (US$ 430,000) ,(US$143,400) and (US$40,000) respectively,have been disclosed seprarately in the Statement of Activities.

17 MEMBER STATES' CONTRIBUTION

(a) Funds paid by Member States towards WARDA's Operations will continue to be be recognised as Revenue in the subsequent year in accordance with Note2.(i).

The following Member States made contributions to the Operational activities of the Association relating to the years ended 31 December 2004 and 2003

	2005 US $	2004 US $
Benin		18 283
Nigeria		200 000
Mali		73 132
Senegal	54 849	
The Gambia		3 681
Burkina-Faso		18 283
	54 849	**313 378**

(b) Funds paid by Member States and other Donors towards Capital Development are therefore credited to Revenue when they are received in accordance with the existing Board-approved Policy

The were no Member States who made contributions to the Capital Development activities of the Association relating to the years ended 31 December 2005 and 2004

	2005 US $	2004 US $

18 OTHER INCOME

	2005 US $	2004 US $
'Other Income' Revenues are made up as follow:		
Interest Income	86 767	41 294
Sale of rice	-	1 174
Guest House	31 119	14 854
Transport	26 557	31 208
Miscellaneous income	15 604	(18 145)
	160 048	**70 385**

19 PROGRAM RELATED EXPENSES

	2005 US $	2004 US $
Program related expenses incurred as of December 31 are as follows:		
Research	4 928 699	4 948 753
Research Support	1 730 184	1 120 873
Training Information and Library Services	489 466	550 064
	7 148 349	6 619 691

AFRICA RICE CENTER
(WARDA)
STATEMENT OF ACTIVITIES
For the Years ended 31 December 2005 and 2004
(Expressed in US Dollars)

ANNEX I RESTRICTED FUND BALANCES

Donor and Project	Notes to Adjustments	Grant Period	2004 Balances Receivable @31/12/04	2004 Balances Payables @31/12/04	Balance Adjustments 2005	Received in 2005	2005 Balances Receivable @31/12/05	2005 Balances Payables @31/12/05	Expenditures/ Grants in 2005	Expenditures/ Grants in 2004
AfDB I(NERICA Dissemination Project)		Oct'03-Dec'10				497 588		227 661	269 927	
CANADA-Fund for Africa (CFA)	(a)	Jan'03-Sept'06		1 017 501	(235 000)	767 015		947 059	602 457	146 150
COAT-Taiwan/AVRDC Collaborative Project	(b)	Oct'03-May'06		42 589	4 024		797		47 410	90 779
COAT-Taiwan/AVRDC COA14 -Collaboration Project	(b)	Oct'03-May'06		4 024	(4 024)					12 704
Denmark(Phytosanitary& Seed Health Project)		Jul'96-Aug'04								0
European Union(CORAF Project)		Jul'01-Jun'05	686 790			986 239			299 449	985 463
European Union(Rice Policy & Techn. Impact on Food Security....)	(b)	Jan'03-Dec'05	91 819		(5 992)	96 961	514 791		513 942	91 819
European Union(Creating Low Management PlantTypes)	(b)	Jan'03-Dec'04	564 175		5 992	558 184		0		536 137
European Union(E.and C. Africa Rice Res.Networks)		Mar'05-Sept'07				57 593	52 613		110 206	
ENI-CONGO	(b)	Sept'03-Jun'04	57 142		(671)	55 045	0		(2 768)	80 435
France(Collaboration IRD-RYMV Resist. Project)	(b)	Jan'01-Dec'04		1 359	(1 359)					
CFC-FAO (Spirivwa Project)		Jan'00-Dec'03	48 482				48 663		181	1 032
Gatsby Foundation(Containment Facility Project)		Jan'94-Dec'02		3 952				3 952		461
Gatsby Foundation(Rice Dissemination Project)		Jan'00-Dec'02	68 876			16 615	42 428		(9 833)	3 572
IBRD- Genebank Upgrade Project		Jan'03-Dec'06		453 741				335 896	117 846	320 804
IBRD- WCA-Regional MTP Project		Jan'05-Dec'06				72 000	11 879		83 879	
GTZ(Projet Riz Nord)		Dec'98-Dec'00	37 219				37 219			
GTZ(University of Hohenheim Project)		Mar'00-Dec'05		30 763					30 763	90 112
GTZ Peri-Urban Project		Jul'01-June'06		132 827		186 980		93 641	226 166	90 956
IFAD(PADS Project) Phase I & II		Apr'99-Sep'08	341 880				604 007		262 127	273 864
IFAD (Congo-NERICA Dissemination Project)	(b)	Aug'04-Sept'06		66 146	671	65 800		45 744	86 873	10 554
UNDP-Interspecific Hybrid. Phase 2 Project)	(b)	Jul'00-Jun'05		143 538	(972)	38 700		0	181 266	115 408
Japan/UNDP-TCDC(Interspecific Hybrid. Project)	(b)	Jul'00-Jun'06	55 116		972		397 612		343 468	517 762
Japan(RYMV Project)	(b)	Jan'00-Mar'06	58 854		1 359		160 121		102 626	258 854
Japan(Increasing Quality Compet.Loc. Project)		Jan'03-Mar'06		51 313			89 171		140 484	48 687
Japan(Dev.Interspec. OG&OS Progenies)		Jan'03-Mar'06		97 843			95 603		193 446	
Japan (High Yield Varieties-Humid Zones)		Dec'05-Dec'06					5 393		5 393	
Netherlands(APO/JPO Project)		2004-2006		223 985		398 400		270 147	352 238	143 415
Rockefeller Capacity Building FS117	(b)	Jan'01-Sep'05		70 965	(102)			0	70 863	2 269
Rockefeller FPATDD Mali/Nigeria	(b)	Jan'01-Dec'06		199 572	102			38 809	160 865	13 398
Rockefeller (ARI)		Jan'03-Dec'05		123 543					123 543	167 098
Rockfeller(Drought Tollerance Project)		Mar'04-Feb'07		109 387		445 674		274 666	280 395	48 629
USAID(African Networks Project)		1999-2006		202 931		150 000		46 047	306 884	153 797
USAID - RYMV Project		2005-2007				225 000		78 684	146 316	
USAID - AVRDC Project		2005-2006				54 000		13 011	40 989	
UNDP(Guinea IAEC Project)		2004-2006		5 763			2 403		8 166	2 637
UNEP-Farmer Stakeholders		Sept'02-Dec'03		314				314		
Miscellaneous Small Projects	(c)	Jan'05-Dec'05	8 977	3 531	(3 473)	28 887	76 402		96 370	13 931
Total Restricted Grants			2 019 329	2 985 588	(238 473)	4 700 681	2 139 102	2 375 631	5 191 938	4 220 726

Notes to A Unfunded residual balances on SWIHA HIV/AIDS project covered by the Canadian Fund for Africa (US$32,473)
(a) Canada Fund for Africa-contribution towards Unretsricted Core Acitivities (US$235,000)
(b) Various small residual balances on closed projects offset against other related projects
(c) Three small balances transferred to "Other Accounts Receivable"

ANNEX 2

AFRICA RICE CENTER (WARDA)
EUROPEAN UNION
FINANCIAL REPORT: Year 2005 contribution for period ended 31 December 2005

Project Title:-Rice Policy and Technology Impact for Food Security and Poverty Reduction	
DESCRIPTION	**AMOUNT (US$)**
PERSONNEL COSTS	300 178
SUPPLIES AND SERVICES	160 798
NARS GRANTS	23 505
OPERATIONAL TRAVEL	29 462
DEPRECIATION	-
TOTAL EXPENDITURE	**513 942**
	(US$)
B/forward Adjustment from 2004	**849**
	514 791
Received from EU:	
On February 23rd, 2006	**613 258**
Balance left over to be used by WARDA Jan-Mar'06	**(99 316)**

ANNEX 3

Africa Rice Center
(WARDA)
Statement of Operating Expenses for the Years 2005 and 2004
(US $)

	Total	
	2005	2004
Research	5 065 632	4 519 070
Research Support	1 857 341	1 884 831
Operations	418 425	245 806
Direct Operating Expenses	*7 341 398*	*6 649 707*
Management	2 474 050	2 691 380
Transition Program Expenses(Extraordinary Crisis expenditure)	681 721	592 909
Gross Management Expenditure	3 155 771	3 284 289
Common Sustenance Services	734 715	542 788
Indirect Operating Expenses (Gross)	*3 890 486*	*3 827 077*
Less: *Transition Program Expenses(Extraordinary Crisis expenditure)*	*(681 721)*	*(592 909)*
Indirect Operating Expenses (Net)	*3 208 765*	*3 234 168*
Total Operating Expenses (Gross) as per Statement of Activities	*11 231 884*	*10 476 784*
Less: *Transition Program Expenses(Extraordinary Crisis expenditure)*	*(681 721)*	*(592 909)*
Total Operating Expenses (Net)	*10 550 163*	*9 883 875*
Cost Ratio		
Direct/Total (Net)	69,6%	67,3%
Indirect/Total (Net)	30,4%	32,7%
Indirect/Direct (Net)	43,7%	48,6%